DEPARTMENT OF THE NAVY
COMMANDER NAVAL RESERVE FORCES COMMAND
4400 DAUPHINE STREET
NEW ORLEANS, LOUISIANA 70146-5100

COMNAVRESFORCOMINST 5200.
N002

10 MAR 2005

COMNAVRESFORCOM INSTRUCTION 5200.1

Subj: MANAGEMENT CONTROL PROGRAM (MCP)

Ref: (a) Federal Managers' Financial Integrity Act (FMFIA) of 1982 (31 U. S. Code 3512)
(b) Standards for Internal Control in the Federal Government, GAO/AIMD-00-21.3.1 (11/99)
(c) OMB Circular A-123 of 21 Jun 95 (NOTAL)
(d) SECNAVINST 5200.35D (NOTAL)
(e) OPNAVINST 5200.25C
(f) OPNAVINST 3500.39A
(g) SECNAVINST 5214.5B

Encl: (1) Management Control Program (MCP) Flowchart
(2) Management Control System Test and Manager Risk Assessment with Sample
(3) Operational Risk Management (ORM) Assessment (OPNAVINST 3500.39A Five-Step Process) with Sample
(4) General Information - Management Control Program
(5) General Information - Management Control Program DOD Functional Categories
(6) General Information - Management Control Program Coordinator Duties and Responsibilities
(7) MSC Assessable Units/Work Processes Inventory
(8) FY05 Assessable Unit/Work Process Annual Plan Sample
(9) Pay/Personnel System Training Sample Flowchart
(10) Sample Activity Management Control Annual Assurance Statement
(11) Format for Reporting Material Weaknesses for Information or When Requested by CNO

1. Purpose. To provide revised Department of the Navy (DON) policy and guidance, and to assign responsibilities for the MCP. This instruction promulgates completely new program guidance and must be read in its entirety.

2. Cancellation. Commander, Naval Reserve Force has authorized the cancellation of COMNAVRESFORINST 5200.6C.

3. Information. The MCP provides a framework or basic assessment structure for commanders to monitor performance of daily operations, safeguard resources assess risk, evaluate effectiveness, and support mission improvement. The MCP efforts help to establish a perpetual state of readiness for any type of oversight inspection or assessment including the requirements of the Department of the Navy Inspection Program (DONIP). The MCP serves as the basis for Commander, Naval Reserve Forces Command's (COMNAVRESFORCOM) compliance with DONIP oversight requirements through conduct of the Command Assessment Program (CAP).

4. Scope. All commanders and commanding officers are responsible for establishing and monitoring internal controls or management safeguards for their commands. References (a) through (f) apply. Internal controls are built into work processes to provide reasonable assurance that resources are

safeguarded; information is accurate and reliable; laws, regulations, and policies are adhered to; and economy and efficiency are achieved. As such, the MCP applies to all COMNAVRESFORCOM processes, programs, and functions.

5. Background

a. In reference (d), the Secretary of the Navy places strong emphasis on adhering to the principles of the Federal Managers' Financial Integrity Act (FMFIA) of September 1982 (reference (a) refers). FMFIA mandates that each executive agency's internal accounting and administrative controls be established in accordance with standards prescribed by the Comptroller General. The DON seeks to meet the goals of FMFIA through the MCP. The MCP encompasses all programs and functions within Navy, not just the comptroller functions of budgeting, recording and accounting for revenues and expenditures within the Assessable Unit (AU) structure mandated by implementing FMFIA. All COMNAVRESFORCOM activity commanders are required to incorporate basic management controls into the strategies, plans, guidance and procedures governing their programs including day-to-day operations. The MCP emerges as the basic assessment measure for every COMNAVRESFORCOM manager to use in providing reasonable assurance of adequate management controls.

b. Reference (e) provides basic guidelines for implementing the MCP in commands reporting to the Chief of Naval Operations (CNO). This instruction supplements CNO guidance and is applicable throughout COMNAVRESFORCOM.

6. Discussion

a. The Office of the Assistant Secretary of the Navy (Financial Management and Comptroller) (OASN (FM&C)), Office of Financial Management (FMO) oversees the MCP for DON and implements the law of FMFIA through MCP. By this instruction, MCP will be integrated into all CCOMNAVRESFORCOM processes, functions, and programs. All managers (not solely the Comptroller) are accountable for establishing, maintaining, evaluating and improving internal control systems for their respective processes. Per SECNAV requirement, an Annual Statement of Assurance (SOA) certifying the adequacy of internal or management controls will be required by managers each fiscal year, in support of FMFIA. COMNAVRESFORCOM managers will submit SOA letters to N002 by 15 July of each year. A copy of the command's current fiscal year AU Plan will also be submitted with the SOA. Scheduled technical inspections, announced audits, or other outside assessments may be used as alternate management control reviews to ensure the effectiveness of established controls

b. Internal control systems (or management controls) are the organization policies and procedures that reasonably assure:

(1) Programs and operations achieve intended results,

(2) resources are used consistent with the Navy's mission,

(3) programs and resources are protected from fraud, waste, abuse or mismanagement,

(4) laws and regulations are followed, and

(5) reliable and timely information is obtained, maintained, reported and used for decision making

c. SECNAV stresses that the adequacy of management controls are to be primarily self-assessed by managers through the daily practices of conducting mission critical, mission support, and related activities and actions, and will:

(1) Encompass all operations and mission responsibilities of an organization,

(2) not duplicate existing information that pertains to evaluating the effectiveness of management controls such that a reduction in effort and documentation results from proper employment of the MCP. Process evaluation or assessments accomplished for other purposes meet requirements for use as management control assessments,

(3) be advocated and supported by organizational leadership,

(4) identify, report, and correct material weaknesses in those instances where internal controls are not in place, not used, or not adequate.

d. The MCP concept relies on the use of existing control methods or mechanisms, where they exist, for gauging the health of mission, and support processes. A meaningful assessment of the control mechanisms employed to safeguard resources is more important than a rigid formal documentation of the assessment. Thus, the documentation used to effect normal operations, when coupled with risk assessment or flowcharts, can be used to satisfy MCP records requirements, if it can be traced back to source or managers' actions.

e. Enclosure (1) provides a flowchart to illustrate the process steps associated with this program at COMNAVRESFORCOM.

7. Relationship of the Command Assessment Program (CAP) to the MCP. The CAP (reference (f)) dovetails directly with the MCP. By completing the process analysis associated with the MCP, COMNAVRESFORCOM organizational units are also simultaneously preparing for a CAP which focuses on mission critical AUs/Work Processes (WPs). This approach allows COMNAVRESFORCOM to stay in a perpetual state of readiness for any inspection or review. This method leverages the effort by COMNAVRESFORCOM managers in meeting day-to-day mission requirements and also gives COMNAVRESFORCOM a vehicle to quickly gauge the health of its processes with minimal investment of time and effort.

8. Relationship of Operational Risk Management (ORM) to the CAP and MCPs. All naval missions, as well as daily routines, involve risk. The principles of ORM, applied to day-to-day operations, have produced dramatic results in reducing losses just as has been the case when applied to contingency or crisis operations. ORM involves identifying hazards, assessing risks, and implementing controls to reduce the risk associated with any operation. Commanders have a fundamental responsibility to safeguard highly valued personnel and material resources, and to accept only the minimal level of risk necessary to accomplish assigned missions. Guidelines for the ORM process are discussed in reference (f). An operation should be continuously monitored for effectiveness of controls and situational changes. The flowcharts developed through the MCP and CAP programs provide a solid framework for assessing risks and also evaluating the effectiveness of controls affecting both loss and hazards. Flowcharts developed for the MCP and CAP programs pictorially display pulse points that permit a rapid preliminary evaluation of various aspects of risk. When displayed with sufficient detail, flowcharts allow managers to identify, assess and isolate risky areas quickly, and make informed decisions about how best to approach day-to-day risks (enclosures (2) and (3) pertain).

9. Definitions

a. Pertinent terms are listed in enclosure (4).

b. Major Department of Defense (DoD) Functional Categories are discusse in enclosure (5). Only 10 of 15 categories apply to the COMNAVRESFORCOM.

10. Policy. It is the policy of COMNAVRESFORCOM that all Commanders develop, implement, maintain, review, and improve accounting and administrative controls. On an ongoing basis, all managers will be vigilant concerning the adequacy of internal control systems. All levels of management will follow th guidelines of this instruction.

11. Procedures. The MCP includes the following major steps shown in enclosur (1) and discussed further in enclosures (4) through (6).

a. Organize the Process. Commanders will formally designate an MCP coordinator. The typical duties of a MCP coordinator are discussed in enclosure (6).

b. Segment Command Activities and Assign Responsibilities. Divide comman activities into AUs or WPs; any functional, process, organizational, programmatic, or other entity capable of being evaluated discretely by management control procedures. An AU/WP is any subdivision of an activity o process that ensures a reasonable span of management control to allow for adequate analysis. Categorize command AUs/WPs by DoD Functional Categories (see enclosure (5)). Develop a process (AU/WP) inventory that reflects the department's mission and associated support elements. For each process, ensure that a responsible manager is identified. Enclosure (7) provides a representative, although not all-encompassing, inventory/menu of potential AUs/WPs for use by commanders. Enclosure (8) format provides a typical manager's fiscal year listing of AU/WPs and a record of when an assessment was performed or is projected to occur. A commands complete fiscal year AU plan results simply from segmenting the mission critical and support processes within the command and publishing a projected assessment schedule to review their control adequacy. Risk determinations will drive the frequency of assessing AU/WPs and are intended to also be an individual manager's call. However at a minimum, each AU/WP should be reviewed at least once within CAP cycle. Enclosure (8) will be forwarded with the SOA as discussed in paragrap 11.f and will also be submitted per the COMNAVRESFORCOM preparation requirements specified by reference (f).

c. Develop flowchart

(1) Based upon mission and associated support, each commander may have significantly different inventories. For each AU/WP in the inventory, develop a one-page midlevel (e.g., sufficient detail to show how the process works) linear flowchart. The flowchart will show the process from start to finish. Enclosures (1) and (9) provide two examples.

(2) The flowchart is a valuable management tool and assessment document that depicts how a procedure or system works. It shows inter-relationships with other processes, as well as exposing redundancies. Possible internal control points are displayed in the form of process and decision steps that serve as prime pulse points which can be quickly assessed for efficiency, effectiveness, and economy. The assessment can highlight areas susceptible to internal control breakdowns. Flowcharts can also identify potential process risk areas. As a result, a decision to only check high-risk areas in a stable process saves time, effort and resources.

(3) The ease of using a flowchart also affords a nonsubject matter expert an opportunity to make a reasonable assessment of the observed process. When properly annotated or coupled with attachments, a flowchart can allow a reviewer to trace information back to source documents reducing time and effort to conduct reviews. Flowcharts support reinventing and reengineering opportunity. Managers can conclude from examining a flowchart that a process cannot be significantly improved and a new process approach i warranted. Ultimately, this approach permits the manager a tool to swiftly evaluate command processes without bogging down in minutia.

(4) Steps in developing a flowchart:

(a) Assemble process owners and workers

(b) Separate content from process

(c) Define the process

(d) Define the start and stop (boundaries)

(e) List the steps, activities, decisions points and points at which measurements are taken

(f) Use correct symbology

(g) Depict the actual process (not what people think is occurring, not what the guidance says should be happening, not what you thinl others want to see)

(h) Start with the "big picture" (then expand to greater detail).

d. Internal Control System Test and Manager Risk Assessment (MRA)

(1) For the AU/WP test one or two internal control or pulse points on the flowchart. This can be accomplished by one of five methods: (1) A physical inspection or walk-through of the process; (2) reviewing documents or completing a checklist; (3) conducting interviews; (4) simulations, and (5) evaluating data. Use enclosure (2) to document test results and retain with the flowchart. System tests and manager risk assessments will be accomplished periodically at the manager's discretion and must be balanced against whether doing so, more often, would hamper efficient operations.

(2) Pursuant to reference (f), determine if the process also requires and has had an ORM assessment. Are actions being taken as a result of the assessment? Indicate the results on enclosure (2).

(3) Enclosure (2) provides a sample test/MRA and enclosure (3) an ORM for enclosure (9).

e. MCP Documentation Requirements. Use alternative documentation (e.g., DoD IG report, GAO audit, Naval Audit Service opinion or audit, Technical Inspection report, etc.) whenever available and appropriate. The MCP records and documentation, including locally prepared manager assessment documents, internal control system test results, checklists, ORM assessments and flowcharts will be kept at the AU manager level. Retain documentation in-house for a minimum of 3 years or longer if required to support the DONIP/CAP cycle.

f. Submit Annual Statements of Assurance. In preparing the SOA, consider paragraph 6 above. Enclosure (10) provides a sample format with sample enclosures.

(1) To ensure the existence of a clear path of accountability, commanders will submit an SOA with enclosure (7) attached to the COMNAVRESFORCOM Inspector General (N002) by 15 July. Assurance is required regardless of the existence of material weaknesses.

(2) When appropriate, report on the following issues. See exhibit A to enclosure (10) and enclosure (11) for sample formats.

(a) To report major accomplishments, use exhibit A to enclosure (10).

(b) To report material weaknesses that are not correctable at the local level, use enclosure (10) format.

(c) To report the status of corrective actions on weaknesses not previously reported as closed, use enclosure (11) format.

12. Action

a. Commanders of Activities

(1) Follow the policies and procedures set forth in this instruction.

(2) Ensure that all managers actively participate in the MCP and that their participation level and quality is considered during annual performance evaluations.

(3) Ensure that appropriate training is provided to appropriate managers and MCP coordinators.

(4) Provide current MCP coordinator point of contact and phone number to COMNNAVRESFORCOM (N002A), via phone, by 1 March each year. Commercial telephone number is (504) 678-1056 or FAX (504) 678-6099. DSN prefix is 678.

b. Regional and Wing Commanders. In addition to the above actions:

(1) Ensure cognizant managers evaluate subordinate activities per the intent of this instruction.

(2) Ensure a plan is established to correct subordinate activities AU/WP weaknesses in a timely manner.

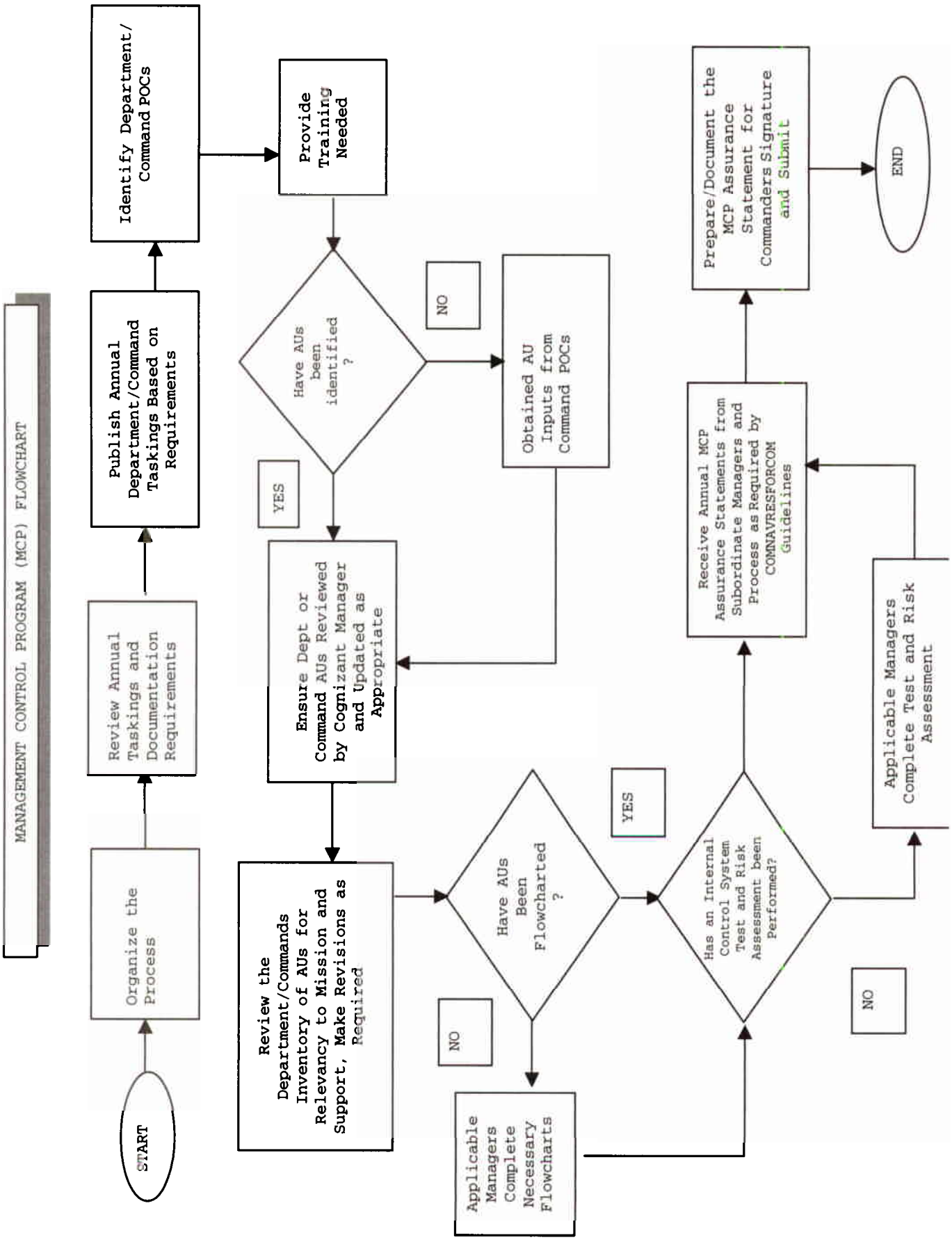
(3) Assess program compliance at subordinate activities.

13. Report Control Symbol. The reporting requirements for this program are assigned Report Control Symbol COMNAVRESFORCOM RCS 5200-1 and are approved for 3 years per reference (g).

J. P. DEBBOUT

Distribution: (See next page)

Distribution (continued): SNDL
FR3, FR5, FR9, FR10, FR11, FR12, FR14, FR16,
FR18, FR20, 42B3, 42J3, 42P3, 42Q3, 42W1,
42X1, 42BB3, 42CC3, 42DD3, 42GG3, 42HH3, 42XX


MANAGEMENT CONTROL PROGRAM (MCP) FLOWCHART
START
Organize the Process
Review Annual Taskings and Documentation Requirements
Publish Annual Department/Command Taskings Based on Requirements
Identify Department/ Command POCs
Provide Training Needed
Review the Department/Commands Inventory of AUs for Relevancy to Mission and Support, Make Revisions as Required
Have AUs been identified ?
NO
YES
Obtained AU Inputs from Command POCs
Ensure Dept or Command AUs Reviewed by Cognizant Manager and Updated as Appropriate
Have AUs Been Flowcharted ?
NO
YES
Applicable Managers Complete Necessary Flowcharts
Has an Internal Control System Test and Risk Assessment been Performed?
NO
Applicable Managers Complete Test and Risk Assessment
Receive Annual MCP Assurance Statements from Subordinate Managers and Process as Required by COMNAVRESFORCOM Guidelines
Prepare/Document the MCP Assurance Statement for Commanders Signature and Submit
END

Enclosure (1)

MANAGEMENT CONTROL SYSTEM TEST AND MANAGER RISK ASSESSMENT WITH SAMPLE

1. Assessable Unit/Work Process:

2. Way(s) tested?
- ☐ Performed a physical inspection or walk-through of the process.
- ☐ Reviewed documents.
- ☐ Interviewed cognizant managers.
- ☐ Evaluated data.
- ☐ Conducted Simulation

3. Test results

	YES	NO
a. Does the flowchart reflect the process?	☐	☐
b. Is the process producing intended results?	☐	☐
b. Are protections against fraud, waste, abuse and mismanagement practices adequate?	☐	☐
d. Are laws and regulations followed?	☐	☐
e. Is the process effective, efficient, and economical?	☐	☐
f. Has an Operational Risk Management Assessment been completed? (Refer to reference (f))	☐	☐

(1) Hazard Severity: (check one) Category I☐ II ☐ III☐ IV☐

(2) Mishap Probability: (check one) Subcategory A☐ B☐ C☐ D☐

(3) Risk Assessment Code (RAC): (check one)
- 1 - Critical ☐
- 2 - Serious ☐
- 3 - Moderate ☐
- 4 - Minor ☐
- 5 - Negligible ☐

g. Are the internal controls acceptable for reducing risks? YES☐ NO☐

4. For any "NO" response above, indicate the remedial action planned and expected completion date.

5. Does this process warrant reporting to higher authority as a material weakness? YES☐ NO☐

6. Attested to by: _____ Date:

MANAGEMENT CONTROL SYSTEM TEST AND MANAGER RISK ASSESSMENT

1. Assessable Unit/Work Process: Pay/Personnel System Training

2. Way(s) tested?
- ☐ Performed a physical inspection or walk-through of the process.
- ☒ Reviewed documents.
- ☒ Interviewed cognizant managers.
- ☐ Evaluated data.
- ☐ Conducted Simulation

3. Test results

		YES	No
a.	Does the flowchart reflect the process?	☒	☐
b.	Is the process producing intended results?	☒	☐
c.	Are protections against fraud, waste, abuse and mismanagement practices adequate?	☒	☐
d.	Are laws and regulations followed?	☒	☐
e.	Is the process effective, efficient, and economical?	☒	☐
f.	Has an Operational Risk Management Assessment been completed? (Refer to reference (1))	☒	☐

(1) Hazard Severity: (check one) Category I☐ II☐ III☐ IV☒

(2) Mishap Probability: (check one) Subcategory A☐ B☐ C☐ D☒

(3) Risk Assessment Code (RAC): (check one)
- 1 - Critical ☐
- 2 - Serious ☐
- 3 - Moderate ☐
- 4 - Minor ☐
- 5 - Negligible ☒

g. Are the internal controls acceptable for reducing risks? YES☒ NO☐

4. For any "NO" response above, indicate the remedial action planned and expected completion date.

5. Does this process warrant reporting to higher authority as a material weakness? YES☐ NO☒

6. Attested to by: M.C. Peters Date: 12 Jul 04

SAMPLE

OPERATIONAL RISK MANAGEMENT (ORM) ASSESSMENT
(OPNAVINST 3500.39A FIVE-STEP PROCESS) WITH SAMPLE

Activity/Department:
Work Process:

Step 1. Identify Hazards:

	Yes	No	N/A
a. Has a flowchart been completed identifying major steps of the work process?	☐	☐	☐
b. Have applicable hazards of each step with possible causes for those hazards been documented? If yes, attach copy (format on page 3). If no, comment on page 2.	☐	☐	☐

Step 2. Assess Hazards: Each hazard identified in Step 1 will be assigned a "Hazard Severity Category," "Mishap Probability Rating," and a "Risk Assessment Code (RAC)." The below matrices are a guide for assessing hazards.

a. Has each hazard been assigned a Hazard Severity Category?	☐	☐	☐
b. Has each hazard been assigned a Mishap Probability Rating?	☐	☐	☐
c. Has each hazard been assigned a RAC?	☐	☐	☐

Hazard Severity Category Matrix:

I (death, loss, or grave damage)
II (severe injury, damage, or inefficiencies)
Ill (minor injuries, damage, or inefficiencies)
IV (minimal threat to personnel and property)

Mishap Probability Sub-Category Matrix:

A (likely to occur immediately
B (probably will occur in time
C (may occur in time)
D (unlikely to occur)

Risk Assessment Code	Hazard Severity	Mishap Probability Rating			
		A	B	C	D
1=Critical					
2=Serious	I	1	1	2	3
3=Moderate	II	1	2	3	4
4=Minor	III	2	3	4	5
5=Negligible	IV	3	4	5	5

Step 3. Risk Decisions:

	Yes	No	N/A
a. Have risks been prioritized and internal controls selected to reduce process risks?	☐	☐	☐
b. Do selected internal controls provide benefits that outweigh risks?	☐	☐	☐
c. If risk outweighs benefit, does the process warrant reporting to higher authority as a material weakness? Discuss issues on page 2.	☐	☐	☐

Step 4. Internal Control Implementation (more than one type internal contr may apply):

	Yes	No	N/A
a. Have "Engineering Controls" been implemented that reduce risks by design, material selection, or substitution when technically or economically feasible?	☐	☐	☐
b. Have "Administrative Controls" been implemented that reduce risks through specific administrative actions, such as:			
(1) Providing suitable warnings, markings, placards, signs and notices?	☐	☐	☐
(2) Establishing written policies, programs, instructions, and standard operating procedures?	☐	☐	☐
(3) Training personnel to recognize hazards and take appropriate precautionary measures?	☐	☐	☐
(4) Limiting the exposure to a hazard (either by reducing the number of personnel/assets or the length of time they are exposed)?	☐	☐	☐
c. Is there use of "Personal Protective Equipment" (serves as a barrier between personnel and a hazard and should be used when other controls do not reduce the hazard to an acceptable level)?	☐	☐	☐
Step 5. Supervision: Is there periodic supervisory oversight of internal controls for the work process?	☐	☐	☐

ORM Assessment conducted by: _____ Date: _____

ORM Assessment reviewed by: _____ Date: _____

Issues/Comments	Actions (Include estimated completion dates)

OPERATIONAL RISK MANAGEMENT (ORM) ASSESSMENT
WORK PROCESS HAZARDS

Activity/Department:_____

Work Process:_____

Document applicable risks and causes on the above work process. List hazards in order of severity. Refer to page 1 of ORM Assessment Form for matrices to determine Hazard Severity Category, Mishap Probability Subcategory, and Risk Assessment Code (RAC).

1. Hazard. Intentional contract process error.
   - Contractor intentionally provides vessel/services in manner not IAW contract specifications
   - Contracting Officer intentionally awards contract to other than best value bidder

   a. Cause.

   b. Hazard Severity Category: _____

   c. Mishap Probability Sub-Category: _____

   d. RAC:_____

2. Hazard. Unintentional contract process error.
   - Administrative delay in awarding contract or government delay in meeting contract obligations resulting in penalty to the government.

   a. Cause. Inefficiency

   b. Hazard Severity Category: _____

   c. Mishap Probability Sub-Category: _____

   d. RAC: _____

3. Hazard. Mismanagement of contracting process.
   - Failure to properly define requirements in the contract
   - Failure to solicit all possible bidders in a timely manner

   a. Cause. Lack of training or ineffectiveness

   b. Hazard Severity Category: _____

   c. Mishap Probability Sub-Category: _____

   d. RAC: _____

OPERATIONAL RISK MANAGEMENT (ORM) ASSESSMENT
(OPNAVINST 3500.39A FIVE-STEP PROCESS)

Activity/Department: N1
Work Process: Pay/Personnel System Training

Step 1. Identify Hazards:	Yes	No	N/A
a. Has a flowchart been completed identifying major steps of the work process?	☒	☐	☐
b. Have applicable hazards of each step with possible causes for those hazards been documented? If yes, attach copy (format on page 3). If no, comment on page 2.	☐	☐	☒

Step 2. Assess Hazards: Each hazard identified in Step 1 will be assigned "Hazard Severity Category," "Mishap Probability Rating," and a "Risk Assessment Code (RAC)." The below matrices are a guide for assessing hazards.

a. Has each hazard been assigned a Hazard Severity Category?	☐	☐	☒
b. Has each hazard been assigned a Mishap Probability Rating?	☐	☐	☒
c. Has each hazard been assigned a RAC?	☐	☐	☒

Hazard Severity Category Matrix:

I (death, loss, or grave damage)
II (severe injury, damage, or inefficiencies)
Ill (minor injuries, damage, or inefficiencies)
IV (minimal threat to personnel and property)

Mishap Probability Sub-category Matrix:

A (likely to occur immediately
B (probably will occur in time
C (may occur in time)
D (unlikely to occur)

Risk Assessment Code	Hazard Severity	Mishap Probability Rating			
		A	B	C	D
1=Critical					
2=Serious	I	1	1	2	3
3=Moderate	II	1	2	3	4
4=Minor	III	2	3	4	5
5=Negligible	IV	3	4	5	5

Step 3. Risk Decisions:	Yes	No	N/A
a. Have risks been prioritized and internal controls selected to reduce process risks?	☐	☐	☒
b. Do selected internal controls provide benefits that outweigh risks?	☐	☐	☒
c. If risk outweighs benefit, does the process warrant reporting to higher authority as a material weakness? Discuss issues on page 2.	☐	☐	☒

Step 4. Internal Control Implementation (more than one type internal contro may apply):

	Yes	No	N/A
d. Have "Engineering Controls" been implemented that reduce risks by design, material selection, or substitution when technically or economically feasible?	☐	☐	☒
e. Have "Administrative Controls" been implemented that reduce risks through specific administrative actions, such as:			
(1) Providing suitable warnings, markings, placards, signs and notices?	☐	☐	☒
(2) Establishing written policies, programs, instructions, and standard operating procedures?	☐	☐	☒
(3) Training personnel to recognize hazards and take appropriate precautionary measures?	☐	☐	☒
(4) Limiting the exposure to a hazard (either by reducing the number of personnel/assets or the length of time they are exposed)?	☐	☐	☒
f. Is there use of "Personal Protective Equipment" (serves as a barrier between personnel and a hazard and should be used when other controls do not reduce the hazard to an acceptable level)?	☐	☐	☒
Step 5. Supervision: Is there periodic supervisory oversight of internal controls for the work process?	☒	☐	☐

ORM Assessment conducted by: M.C. Peters **Date:** 12 Jul 04

ORM Assessment reviewed by: I.C. Mann **Date:** 15 Jul 04

Issues/Comments	Actions (Include estimated completion dates)

SAMPLE

OPERATIONAL RISK MANAGEMENT (ORM) ASSESSMENT
WORK PROCESS HAZARDS

Activity/Department: N1

Work Process: Pay/Personnel System Training

Document applicable risks and causes on the above work process. List hazard in order of severity. Refer to page 1 of ORM Assessment Form for matrices t determine Hazard Severity Category, Mishap Probability Subcategory, and Risk Assessment Code (RAC).

1. Hazard. Intentional contract process error.
   - Contractor intentionally provides vessel/services in manner not under contract specifications
   - Contracting Officer intentionally awards contract to other than best value bidder

   a. Cause. Criminal Fraud

   b. Hazard Severity Category: IV

   c. Mishap Probability Subcategory: D

   d. RAC: 5

2. Hazard. Unintentional contract process error.
   - Administrative delay in awarding contract or government delay in meeting contract obligations resulting in penalty to the government.

   a. Cause. Inefficiency

   b. Hazard Severity Category: IV

   c. Mishap Probability Subcategory: D

   d. RAC: 5

3. Hazard. Mismanagement of contracting process.
   - Failure to properly define requirements in the contract
   - Failure to solicit all possible bidders in a timely manner

   a. Cause. Lack of training or ineffectiveness

   b. Hazard Severity Category: IV

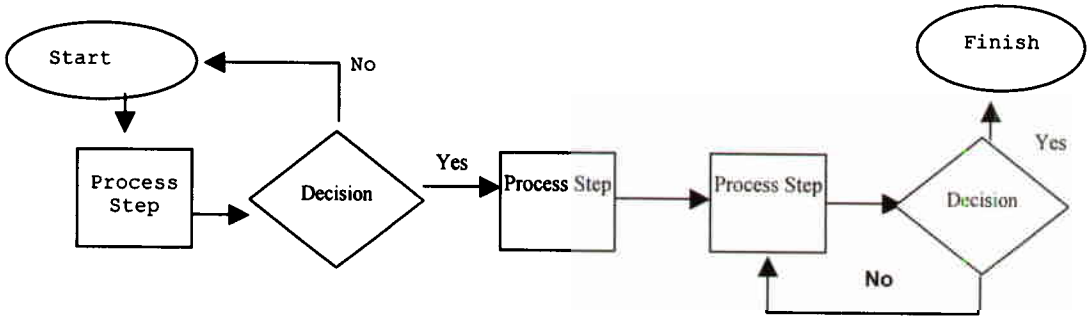
   c. Mishap Probability Subcategory: D

   d. RAC: 5

GENERAL INFORMATION - MANAGEMENT CONTROL PROGRAM
KEY DEFINITIONS

1. Management Controls or Internal Controls. These terms are used synonymously (management control is the preferred term). They are the safeguards built into a work process that ensure resources are used as intended and procedures are followed as directed. The goal is to achieve the best results at the lowest possible cost.

2. Linear Flowchart. A straight-line graphic depicting a work process. It displays a sequence of events in the order of occurrence. Elements include a starting point, process steps, decision points and at least one ending point



3. Material Weakness. A material weakness exists when a condition results in a potential for relatively high risk of loss, errors or irregularities in relation to the assets or resources being managed. Professional judgment, based on applied common sense, must be used when determining materiality. The factors below are determinant as to whether a particular condition represents a material weakness for reporting to COMNAVRESFORCOM.

- Actual or potential loss of resources (e.g., property, inventory, personnel, etc.)
- Actual or potential loss of sensitive resources (e.g., drugs, materials, munitions [weapons and ammunition], etc.)
- Current or probable Congressional or media interest (adverse publicity).
- Impaired fulfillment of mission.
- Unreliable information causing unsound management decisions.
- Violations of statutory requirements.
- Systematic deficiencies regardless of the magnitude of resources involved.
- Magnitude of funds, property or other resources involved.
- Diminished credibility or reputation of management.
- Deprived public access to needed Government services.

4. AUs/WPs. A combination of inputs, actions and outputs characterized by a starting and at least one ending point. AUs/WPs can be broken down into two broad categories: (1) Mission and (2) support. Enclosure (5) displays AUs/WPs by DOD Functional Categories. The inventory is intended to provide a menu of possible processes to consider in developing the appropriate AU inventory.